

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
WELLMAN, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
James Hussey	President	2013
Jack Dillon	Vice President	2013
Randy Billups	Board Member	2011
Jeremy Pickard	Board Member	2011
Rob Stout	Board Member	2011
George Schaefer	Board Member	2011
Stacia Bontrager	Board Member	2013
<u>School Officials</u>		
Mark Schneider	Superintendent	2011
Cindy Steege	District Secretary/Treasurer and Business Manager	2011
Joseph Holland	Attorney	2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Mid-Prairie Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mid-Prairie Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mid-Prairie Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2012 on our consideration of Mid-Prairie Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Prairie Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the component unit foundation and expressed unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
February 28, 2012

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Basic Financial Statements

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 9,912,123	\$ 351	\$ 9,912,474
Receivables:			
Property tax:			
Current year	64,466	-	64,466
Succeeding year	4,935,703	-	4,935,703
Income surtax	595,390	-	595,390
Accounts	-	325	325
Due from other governments	634,753	-	634,753
Inventories	-	6,750	6,750
Capital assets, net of accumulated depreciation (note 4)	9,007,139	41,254	9,048,393
Total assets	25,149,574	48,680	25,198,254
Liabilities			
Accounts payable	751,100	130	751,230
Salaries and benefits payable	1,232,428	30,907	1,263,335
Accrued interest payable	106,325	-	106,325
Deferred revenue:			
Succeeding year property tax	4,935,703	-	4,935,703
Other	265,070	8,756	273,826
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	51,075	-	51,075
Bonds payable	360,000	-	360,000
Portion due after one year:			
Early retirement	158,225	-	158,225
Bonds payable	7,120,000	-	7,120,000
Net OPEB liability	153,000	-	153,000
Total liabilities	15,132,926	39,793	15,172,719

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,854,693	\$ 41,254	\$ 3,895,947
Restricted for:			
Categorical funding (note 10)	416,334	-	416,334
Management levy	158,683	-	158,683
Physical plant and equipment levy	550,917	-	550,917
Student activities	81,405	-	81,405
Debt service	447,831	-	447,831
Capital projects	2,046,117	-	2,046,117
Unrestricted	<u>2,460,668</u>	<u>(32,367)</u>	<u>2,428,301</u>
Total net assets	<u>\$ 10,016,648</u>	<u>\$ 8,887</u>	<u>\$ 10,025,535</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,393,884	\$ 1,875,521	\$ 1,874,914	\$ -
Support services:				
Student services	175,678	-	-	-
Instructional staff services	424,883	-	-	-
Administration services	1,065,143	-	-	-
Operation and maintenance of plant services	930,571	5,010	4,060	-
Transportation services	629,715	5,768	33,450	-
	<u>3,225,990</u>	<u>10,778</u>	<u>37,510</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	350,488	-	-	108,222
Long-term debt interest and fiscal charges	148,862	-	-	-
AEA flowthrough	504,572	-	504,572	-
Depreciation (unallocated) *	275,385	-	-	-
	<u>1,279,307</u>	<u>-</u>	<u>504,572</u>	<u>108,222</u>
Total governmental activities	<u>13,899,181</u>	<u>1,886,299</u>	<u>2,416,996</u>	<u>108,222</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>559,825</u>	<u>326,357</u>	<u>210,451</u>	<u>5,408</u>
Total	\$ 14,459,006	\$ 2,212,656	\$ 2,627,447	\$ 113,630

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (5,643,449)	\$ -	\$ (5,643,449)
(175,678)	-	(175,678)
(424,883)	-	(424,883)
(1,065,143)	-	(1,065,143)
(921,501)	-	(921,501)
(590,497)	-	(590,497)
(3,177,702)	-	(3,177,702)
(242,266)	-	(242,266)
(148,862)	-	(148,862)
-	-	-
(275,385)	-	(275,385)
(666,513)	-	(666,513)
(9,487,664)	-	(9,487,664)
-	(17,609)	(17,609)
(9,487,664)	(17,609)	(9,505,273)

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Special item - Residual equity transfer

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 4,182,799	\$ -	\$ 4,182,799
346,636	-	346,636
188,109	-	188,109
574,409	-	574,409
880,064	-	880,064
5,749,806	-	5,749,806
34,145	1,858	36,003
125,677	-	125,677
12,081,645	1,858	12,083,503
1,026	(1,026)	-
2,595,007	(16,777)	2,578,230
7,421,641	25,664	7,447,305
<u>\$ 10,016,648</u>	<u>\$ 8,887</u>	<u>\$ 10,025,535</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,910,448	\$ 5,435,083	\$ 566,592	\$ 9,912,123
Receivables:				
Property tax:				
Current year	54,433	2,515	7,518	64,466
Succeeding year	4,319,000	231,583	385,120	4,935,703
Income surtax	238,156	357,234	-	595,390
Due from other governments	461,360	173,393	-	634,753
	<hr/>			
Total assets	<u>\$ 8,983,397</u>	<u>\$ 6,199,808</u>	<u>\$ 959,230</u>	<u>\$ 16,142,435</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 139,119	\$ 601,637	\$ 10,344	\$ 751,100
Salaries and benefits payable	1,230,206	-	2,222	1,232,428
Deferred revenue:				
Succeeding year property tax	4,319,000	231,583	385,120	4,935,703
Other	503,226	357,234	-	860,460
Total liabilities	6,191,551	1,190,454	397,686	7,779,691
Fund balances:				
Restricted for:				
Categorical funding (note 10)	416,334	-	-	416,334
Revenue bonds	-	442,000	-	442,000
Revenue bonds sinking fund	-	-	102,888	102,888
Debt service	-	-	9,268	9,268
Management levy purposes	-	-	367,983	367,983
Student activities	-	-	81,405	81,405
School infrastructure	-	4,373,671	-	4,373,671
Physical plant and equipment	-	193,683	-	193,683
Assigned for student programs	66,118	-	-	66,118
Unassigned	2,309,394	-	-	2,309,394
Total fund balances	2,791,846	5,009,354	561,544	8,362,744
Total liabilities and fund balances	\$ 8,983,397	\$ 6,199,808	\$ 959,230	\$ 16,142,435

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 8,362,744
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,007,139
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	595,390
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(106,325)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,842,300)</u>
Net assets of governmental activities	<u>\$ 10,016,648</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,195,606	\$ 1,405,067	\$ 556,843	\$ 6,157,516
Tuition	1,305,059	-	-	1,305,059
Other	372,448	119,110	330,717	822,275
State sources	6,467,811	69	201	6,468,081
Federal sources	1,714,934	-	-	1,714,934
Total revenues	14,055,858	1,524,246	887,761	16,467,865
Expenditures:				
Current:				
Instruction	8,906,741	162,091	330,713	9,399,545
Support services:				
Student services	171,855	-	2,547	174,402
Instructional staff services	317,202	105,809	-	423,011
Administration services	1,071,764	9,422	-	1,081,186
Operation and maintenance of plant services	813,444	-	108,649	922,093
Transportation services	498,842	22,485	16,543	537,870
	2,873,107	137,716	127,739	3,138,562
Other expenditures:				
Facilities acquisition	-	3,353,819	-	3,353,819
Long term debt:				
Principal	-	-	355,000	355,000
Interest and fiscal charges	-	111,504	46,505	158,009
AEA flowthrough	504,572	-	-	504,572
	504,572	3,465,323	401,505	4,371,400
Total expenditures	12,284,420	3,765,130	859,957	16,909,507
Excess (deficiency) of revenues over (under) expenditures	1,771,438	(2,240,884)	27,804	(441,642)

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Revenue bonds issued	\$ -	\$ 5,545,000	\$ -	\$ 5,545,000
Premium on revenue bonds issued	-	12,492	-	12,492
Residual equity transfer from Daycare Fund	1,026	-	-	1,026
Interfund transfers in (note 3)	-	-	157,888	157,888
Interfund transfers out (note 3)	-	(157,888)	-	(157,888)
Total other financing sources (uses)	1,026	5,399,604	157,888	5,558,518
Net change in fund balances	1,772,464	3,158,720	185,692	5,116,876
Fund balances beginning of year, as restated (note 12)	1,019,382	1,850,634	375,852	3,245,868
Fund balances end of year	\$ <u>2,791,846</u>	\$ <u>5,009,354</u>	\$ <u>561,544</u>	\$ <u>8,362,744</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 5,116,876

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,302,729	
Depreciation expense	<u>(446,972)</u>	2,855,757

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities.	12,805
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	(5,545,000)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	355,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(102,356)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(39,075)	
Net OPEB liability	<u>(59,000)</u>	<u>(98,075)</u>

Change in net assets of governmental activities	\$ <u><u>2,595,007</u></u>
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See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 351
Accounts receivable	325
Inventories	6,750
Capital assets, net of accumulated depreciation (note 4)	<u>41,254</u>
Total assets	<u>48,680</u>
Liabilities	
Accounts payable	130
Salaries and benefits payable	30,907
Deferred revenue	<u>8,756</u>
Total liabilities	<u>39,793</u>
Net Assets	
Invested in capital assets	41,254
Unrestricted	<u>(32,367)</u>
Total net assets	<u>\$ 8,887</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Nonmajor- Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 326,357	\$ -	\$ 326,357
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	176,709	-	176,709
Benefits	41,148	-	41,148
Purchased services	3,949	-	3,949
Supplies	325,098	-	325,098
Depreciation	8,003	-	8,003
Loss on disposal of equipment	3,898	-	3,898
Other	1,020	-	1,020
	<u>559,825</u>	<u>-</u>	<u>559,825</u>
Operating loss	(233,468)	-	(233,468)
Non-operating revenues (expenses):			
Interest on investments	1,855	3	1,858
Capital contributions	5,408	-	5,408
State sources	4,822	-	4,822
Federal sources	205,629	-	205,629
Residual equity transfer	-	(1,026)	(1,026)
Total non-operating revenues (expenses)	<u>217,714</u>	<u>(1,023)</u>	<u>216,691</u>
Change in net assets	(15,754)	(1,023)	(16,777)
Net assets beginning of year	<u>24,641</u>	<u>1,023</u>	<u>25,664</u>
Net assets end of year	<u>\$ 8,887</u>	<u>\$ -</u>	<u>\$ 8,887</u>

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Nonmajor- Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 320,680	\$ -	\$ 320,680
Cash received from miscellaneous operating activities	5,965	-	5,965
Cash payments to employees for services	(221,435)	-	(221,435)
Cash payments to suppliers for goods or services	(311,818)	-	(311,818)
Net cash used by operating activities	(206,608)	-	(206,608)
Cash flows from non-capital financing activities:			
State grants received	4,822	-	4,822
Federal grants received	188,106	-	188,106
Residual equity transfer	-	(1,026)	(1,026)
Net cash provided by (used by) non-capital financing activities	192,928	(1,026)	191,902
Cash flows from investing activities:			
Interest on investments	1,855	-	1,855
Net decrease in cash and cash equivalents	(11,825)	(1,026)	(12,851)
Cash and cash equivalents beginning of year	12,176	1,026	13,202
Cash and cash equivalents end of year	\$ <u>351</u>	\$ <u>-</u>	\$ <u>351</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	School Nutrition	Nonmajor- Daycare	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (233,468)	\$ -	\$ (233,468)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	8,003	-	8,003
Loss on disposal of equipment	3,898	-	3,898
Commodities used	17,523	-	17,523
(Increase) in accounts receivable	(325)	-	(325)
Decrease in inventories	712	-	712
Increase in accounts payable	14	-	14
(Decrease) in salaries and benefits payable	(3,578)	-	(3,578)
Increase in deferred revenue	613	-	613
Net cash used by operating activities	<u>\$ (206,608)</u>	<u>\$ -</u>	<u>\$ (206,608)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$17,523 of federal commodities and \$5,408 of contributed equipment.

See notes to financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Mid-Prairie Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Wellman, Kalona, and West Chester, Iowa, and agricultural territory in Washington, Johnson, and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mid-Prairie Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Mid-Prairie Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Washington, Johnson, and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Improvements other than buildings	10 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for governmental activities in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>545,055</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>157,888</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,851	\$ -	\$ -	\$ 127,851
Construction in progress	308,116	2,761,678	308,116	2,761,678
Total capital assets not being depreciated	<u>435,967</u>	<u>2,761,678</u>	<u>308,116</u>	<u>2,889,529</u>
Capital assets being depreciated:				
Buildings	12,027,536	451,434	-	12,478,970
Improvements other than buildings	345,057	206,765	-	551,822
Furniture and equipment	2,043,264	190,968	-	2,234,232
Total capital assets being depreciated	<u>14,415,857</u>	<u>849,167</u>	<u>-</u>	<u>15,265,024</u>
Less accumulated depreciation for:				
Buildings	6,919,569	257,352	-	7,176,921
Improvements other than buildings	311,421	14,542	-	325,963
Furniture and equipment	1,469,452	175,078	-	1,644,530
Total accumulated depreciation	<u>8,700,442</u>	<u>446,972</u>	<u>-</u>	<u>9,147,414</u>
Total capital assets being depreciated, net	<u>5,715,415</u>	<u>402,195</u>	<u>-</u>	<u>6,117,610</u>
Governmental activities capital assets, net	<u>\$ 6,151,382</u>	<u>\$ 3,163,873</u>	<u>\$ 308,116</u>	<u>\$ 9,007,139</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 130,024	\$ 5,408	\$ 9,350	\$ 126,082
Less accumulated depreciation	<u>82,277</u>	<u>8,003</u>	<u>5,452</u>	<u>84,828</u>
Business-type activities capital assets, net	<u>\$ 47,747</u>	<u>\$ (2,595)</u>	<u>\$ 3,898</u>	<u>\$ 41,254</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 44,008
Support services:	
Administration	9,400
Operation and maintenance of plant services	5,329
Transportation	<u>112,850</u>
	171,587
Unallocated depreciation	<u>275,385</u>

Total governmental activities depreciation expense	\$ <u>446,972</u>
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Business-type activities:

Food service operations	\$ <u>8,003</u>
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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 170,225	\$ 87,654	\$ 48,579	\$ 209,300	\$ 51,075
General obligation bonds	2,290,000	-	355,000	1,935,000	360,000
Revenue bonds	-	5,545,000	-	5,545,000	-
Net OPEB liability	94,000	59,000	-	153,000	-
Total	\$ 2,554,225	\$ 5,691,654	\$ 403,579	\$ 7,842,300	\$ 411,075

Early Retirement

The District offers a voluntary early retirement plan to its full-time licensed employees. Eligible employees must be at least age fifty-five years of age and employees must have completed twenty years of total experience as a teacher and/or administrator, of which the last ten years must be served consecutively at Mid-Prairie Community School District. Employees must complete an application, which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$325 per month for fiscal year 2009 and earlier retirees, \$375 per month for fiscal year 2010 retirees, and \$450 per month for current year retirees toward health insurance through the District until the retiree qualifies for Medicare.

At June 30, 2011, the District has obligations to twelve participants with a total liability of \$209,300. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$45,654. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	1.80 %	\$ 360,000	\$ 39,620	\$ 399,620
2013	1.80-2.00	370,000	33,095	403,095
2014	2.00-2.20	395,000	25,830	420,830
2015	2.20-2.40	410,000	17,165	427,165
2016	2.40-2.60	400,000	7,530	407,530
		<u>\$ 1,935,000</u>	<u>\$ 123,240</u>	<u>\$ 2,058,240</u>

Revenue Bonds

Details of the District's June 30, 2011 school infrastructure sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	- %	\$ -	\$ 191,078	\$ 191,078
2013	2.0	190,000	174,480	364,480
2014	2.0	180,000	170,780	350,780
2015	2.0	220,000	166,780	386,780
2016	2.0	260,000	161,980	421,980
2017	2.1	265,000	156,598	421,598
2018	2.4	275,000	150,515	425,515
2019	2.6	285,000	143,510	428,510
2020	2.9	295,000	135,527	430,527
2021	3.1	305,000	126,523	431,523
2022	3.3	310,000	116,680	426,680
2023	3.4	325,000	106,040	431,040
2024	3.5	335,000	94,652	429,652
2025	3.6	345,000	82,580	427,580
2026	3.7	360,000	69,710	429,710
2027	3.8	375,000	55,925	430,925
2028	4.0	390,000	41,000	431,000
2029	4.0	405,000	25,100	430,100
2030	4.0	425,000	8,500	433,500
		<u>\$ 5,545,000</u>	<u>\$ 2,177,958</u>	<u>\$ 7,722,958</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future statewide sales and services tax revenues to repay the \$5,545,000 bonds issued in December 2010. The bonds were issued for the purpose of financing a portion of the costs of various improvements to the high school building. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 20 to 50 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,722,958. For the current year, no principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$880,064.

The resolution providing for the issuance of the school infrastructure sales, services and use tax revenue bonds includes the following provisions:

- a) \$442,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 162 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 161,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	161,000
Contributions made	<u>(102,000)</u>
Increase in net OPEB obligation	59,000
Net OPEB obligation beginning of year	<u>94,000</u>
Net OPEB obligation end of year	<u><u>\$ 153,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$102,000 to the medical plan. Plan members eligible for benefits contributed \$55,000, or 35.0% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 161,000	63.4%	\$ 153,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,457,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,457,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,738,000, and the ratio of the UAAL to covered payroll was 18.8%. As of June 30, 2011, there were no trust fund assets.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2010.

Projected claim costs of the medical plan are \$668 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$524,717, \$506,480, and \$472,835, respectively, equal to the required contributions for each year.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Risk Management

Mid-Prairie Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$504,572 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 34,271
Returning dropouts and dropout prevention programs	38,452
Four-year-old preschool state aid	127,284
Beginning teacher mentoring and induction	824
Teacher salary supplement	67,324
Professional development for model core curriculum	60,741
Professional development	<u>87,438</u>
Total	<u>\$ 416,334</u>

Note 11. Construction Commitments

The District has entered into contracts totaling \$4,430,713 for various high school building improvements. As of June 30, 2011, costs of \$2,099,246 had been incurred against the contracts. The balance of \$2,331,467 remaining at June 30, 2011 will be paid as work on the projects progresses.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,815,892	\$ 34,742
Change in fund type classification per implementation of GASB Statement No. 54	<u>34,742</u>	<u>(34,742)</u>
Balances July 1, 2010, as restated	<u><u>\$ 1,850,634</u></u>	<u><u>\$ -</u></u>

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Required Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,284,850	\$ 333,623	\$ 8,618,473	\$ 8,229,216	\$ 389,257
State sources	6,468,081	4,822	6,472,903	7,059,168	(586,265)
Federal sources	1,714,934	205,629	1,920,563	901,658	1,018,905
Total revenues	16,467,865	544,074	17,011,939	16,190,042	821,897
EXPENDITURES/EXPENSES:					
Instruction	9,399,545	-	9,399,545	10,673,000	1,273,455
Support services	3,138,562	-	3,138,562	3,932,500	793,938
Non-instructional programs	-	560,851	560,851	576,000	15,149
Other expenditures	4,371,400	-	4,371,400	3,796,763	(574,637)
Total expenditures/expenses	16,909,507	560,851	17,470,358	18,978,263	1,507,905
Excess (deficiency) of revenues over (under) expenditures/ expenses	(441,642)	(16,777)	(458,419)	(2,788,221)	2,329,802
Other financing sources, net	5,558,518	-	5,558,518	1,000	5,557,518
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	5,116,876	(16,777)	5,100,099	(2,787,221)	7,887,320
Balance beginning of year	3,245,868	25,664	3,271,532	3,102,664	168,868
Balance end of year	\$ 8,362,744	\$ 8,887	\$ 8,371,631	\$ 315,443	\$ 8,056,188

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,571	\$ 1,571	0.0%	\$ 7,795	20.2%
2011	July 1, 2010	-	1,457	1,457	0.0%	7,738	18.8%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 365,125	\$ 93,946	\$ 107,521	\$ 566,592
Receivables:				
Property tax:				
Current year	2,883	-	4,635	7,518
Succeeding year	19,999	-	365,121	385,120
Total assets	<u>\$ 388,007</u>	<u>\$ 93,946</u>	<u>\$ 477,277</u>	<u>\$ 959,230</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25	\$ 10,319	\$ -	\$ 10,344
Salaries and benefits payable	-	2,222	-	2,222
Deferred revenue:				
Succeeding year property tax	19,999	-	365,121	385,120
Total liabilities	<u>20,024</u>	<u>12,541</u>	<u>365,121</u>	<u>397,686</u>
Fund balances:				
Restricted for:				
Revenue bonds sinking fund	-	-	102,888	102,888
Debt service	-	-	9,268	9,268
Management levy purposes	367,983	-	-	367,983
Student activities	-	81,405	-	81,405
Total fund balances	<u>367,983</u>	<u>81,405</u>	<u>112,156</u>	<u>561,544</u>
Total liabilities and fund balances	<u>\$ 388,007</u>	<u>\$ 93,946</u>	<u>\$ 477,277</u>	<u>\$ 959,230</u>

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 210,333	\$ -	\$ 346,510	\$ 556,843
Other	16,376	314,341	-	330,717
State sources	75	-	126	201
Total revenues	<u>226,784</u>	<u>314,341</u>	<u>346,636</u>	<u>887,761</u>
Expenditures:				
Current:				
Instruction	45,654	285,059	-	330,713
Support services:				
Student services	2,547	-	-	2,547
Operation and maintenance of				
plant services	108,649	-	-	108,649
Transportation services	16,543	-	-	16,543
Other expenditures:				
Long term debt:				
Principal	-	-	355,000	355,000
Interest and fiscal charges	-	-	46,505	46,505
Total expenditures	<u>173,393</u>	<u>285,059</u>	<u>401,505</u>	<u>859,957</u>
Excess (deficiency) of revenues over				
(under) expenditures	53,391	29,282	(54,869)	27,804
Other financing sources:				
Interfund transfers in	-	-	157,888	157,888
Net change in fund balances	53,391	29,282	103,019	185,692
Fund balances beginning of year	<u>314,592</u>	<u>52,123</u>	<u>9,137</u>	<u>375,852</u>
Fund balances end of year	<u>\$ 367,983</u>	<u>\$ 81,405</u>	<u>\$ 112,156</u>	<u>\$ 561,544</u>

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 5,179,519	\$ 255,564	\$ 5,435,083
Receivables:			
Property tax:			
Current year	-	2,515	2,515
Succeeding year	-	231,583	231,583
Income surtax	-	357,234	357,234
Due from other governments	173,393	-	173,393
Total assets	\$ 5,352,912	\$ 846,896	\$ 6,199,808
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 537,241	\$ 64,396	\$ 601,637
Deferred revenue:			
Succeeding year property tax	-	231,583	231,583
Other	-	357,234	357,234
Total liabilities	537,241	653,213	1,190,454
Fund balances:			
Restricted for:			
Revenue bonds	442,000	-	442,000
School infrastructure	4,373,671	-	4,373,671
Physical plant and equipment	-	193,683	193,683
Total fund balances	4,815,671	193,683	5,009,354
Total liabilities and fund balances	\$ 5,352,912	\$ 846,896	\$ 6,199,808

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 880,064	\$ 525,003	\$ 1,405,067
Other	10,888	108,222	119,110
State sources	-	69	69
Total revenues	<u>890,952</u>	<u>633,294</u>	<u>1,524,246</u>
Expenditures:			
Current:			
Instruction	-	162,091	162,091
Support services:			
Instructional staff services	105,809	-	105,809
Administration services	9,422	-	9,422
Transportation services	-	22,485	22,485
Other expenditures:			
Facilities acquisition	3,064,042	289,777	3,353,819
Long term debt:			
Interest and fiscal charges	111,504	-	111,504
Total expenditures	<u>3,290,777</u>	<u>474,353</u>	<u>3,765,130</u>
Excess (deficiency) of revenues over (under) expenditures	(2,399,825)	158,941	(2,240,884)
Other financing sources (uses):			
Revenue bonds issued	5,545,000	-	5,545,000
Premium on revenue bonds issued	12,492	-	12,492
Interfund transfers out	(157,888)	-	(157,888)
Total other financing sources (uses)	<u>5,399,604</u>	<u>-</u>	<u>5,399,604</u>
Net change in fund balances	2,999,779	158,941	3,158,720
Fund balances beginning of year, as restated	<u>1,815,892</u>	<u>34,742</u>	<u>1,850,634</u>
Fund balances end of year	<u>\$ 4,815,671</u>	<u>\$ 193,683</u>	<u>\$ 5,009,354</u>

See accompanying independent auditor's report.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Workshop	\$ -	\$ 16,670	\$ 11,296	\$ 5,374
Athletics	22,710	138,952	147,714	13,948
Annual	-	15,179	4,772	10,407
Fundraising	3,028	2,350	35	5,343
Class of 2010	428	-	231	197
Class of 2011	4,000	2,470	5,878	592
Class of 2012	-	9,796	6,123	3,673
Renaissance	3,235	3,211	1,740	4,706
Post Prom	1,979	9,840	8,324	3,495
FFA	6,243	27,904	25,277	8,870
Librarians Club	253	-	63	190
Miscellaneous	1,978	6,627	4,050	4,555
Newspaper	93	-	-	93
Baseball Resale	-	2,619	1,065	1,554
Boys Basketball Resale	672	17,834	18,506	-
Girls Basketball Resale	-	12,797	12,189	608
Football Resale	496	16,898	14,752	2,642
Golf Resale	-	2,359	2,359	-
Boys Soccer Resale	-	2,009	1,711	298
Cross Country Resale	130	2,192	58	2,264
Track Resale	251	5,200	4,253	1,198
Volleyball Resale	510	7,097	5,674	1,933
Wrestling Resale	-	2,975	2,175	800
Soda Club	2,199	-	-	2,199
FCCLA (Seward)	-	5,345	3,882	1,463
High School Student Council	2,262	4,017	2,932	3,347
Wellness	1,656	-	-	1,656
Total	\$ 52,123	\$ 314,341	\$ 285,059	\$ 81,405

See accompanying independent auditor's report.

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MID-PRAIRIE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 6,157,516	\$ 5,639,516	\$ 5,557,275	\$ 5,137,844
Tuition	1,305,059	1,160,192	933,397	984,572
Other	822,275	730,304	708,506	696,022
State sources	6,468,081	5,502,857	6,172,626	5,989,551
Federal sources	1,714,934	1,205,901	936,591	858,672
Total revenues	<u>\$ 16,467,865</u>	<u>\$ 14,238,770</u>	<u>\$ 14,308,395</u>	<u>\$ 13,666,661</u>
Expenditures:				
Instruction	\$ 9,399,545	\$ 8,953,312	\$ 8,943,733	\$ 8,501,789
Support services:				
Student services	174,402	176,092	206,367	233,047
Instructional staff services	423,011	460,310	484,953	436,973
Administration services	1,081,186	1,081,281	952,790	926,113
Operation and maintenance of plant services	922,093	764,278	1,064,478	907,873
Transportation services	537,870	749,436	653,787	492,551
Non-instructional programs	-	3,450	17,854	-
Other expenditures:				
Facilities acquisition	3,353,819	1,374,745	524,834	544,243
Long-term debt:				
Principal	355,000	355,000	2,920,000	305,000
Interest and fiscal charges	158,009	53,355	156,505	127,792
AEA flowthrough	504,572	488,089	445,538	414,074
Total expenditures	<u>\$ 16,909,507</u>	<u>\$ 14,459,348</u>	<u>\$ 16,370,839</u>	<u>\$ 12,889,455</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 4,860,705	\$ 4,456,303	\$ 4,024,532
894,017	692,869	627,395
674,764	559,225	521,031
5,458,305	5,108,904	4,849,058
627,300	452,753	484,722
<u>\$ 12,515,091</u>	<u>\$ 11,270,054</u>	<u>\$ 10,506,738</u>
\$ 7,853,939	\$ 7,109,937	\$ 6,714,542
205,463	228,264	217,976
418,258	423,256	223,188
915,715	908,776	835,003
884,833	854,623	803,747
595,379	450,232	513,750
-	-	-
506,305	297,159	420,974
295,000	275,000	280,000
137,428	146,391	154,436
397,136	364,300	350,130
<u>\$ 12,209,456</u>	<u>\$ 11,057,938</u>	<u>\$ 10,513,746</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Foreign Language Assistance - ASPIRE	84.293B	T293B100070A \$	131,185
Foreign Language Assistance - CHEERS	84.293B	T293B100021A	135,422
Foreign Language Assistance - Chinese	84.293B	T293B070148	118,625
Foreign Language Assistance - Arabic	84.293B	T293B060170	39,184
			<u>424,416</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	21,683
National School Lunch Program (non-cash)	10.555	FY 11	17,523
National School Lunch Program	10.555	FY 11	166,423
			<u>205,629</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	4271-G-11	278,991
Title I Grants to Local Educational Agencies	84.010	4271-GC-11	35,530
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	91,992
			<u>406,513</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	525
Advanced Placement Program	84.330	FY 11	741
Improving Teacher Quality State Grants	84.367	FY 11	86,389
Grants for State Assessments and Related Activities	84.369	FY 11	7,943
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	490,073
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	66,523
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	57,336
			<u>613,932</u>

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	\$ 65,107
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	36,012
			<u>101,119</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>22,530</u>
Total			<u>\$ 1,869,737</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mid-Prairie Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Mid-Prairie Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mid-Prairie Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mid-Prairie Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Prairie Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mid-Prairie Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mid-Prairie Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mid-Prairie Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mid-Prairie Community School District and other parties to whom Mid-Prairie Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mid-Prairie Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 28, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Mid-Prairie Community School District:

Compliance

We have audited Mid-Prairie Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Mid-Prairie Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mid-Prairie Community School District's management. Our responsibility is to express an opinion on Mid-Prairie Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid-Prairie Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mid-Prairie Community School District's compliance with those requirements.

In our opinion, Mid-Prairie Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Mid-Prairie Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mid-Prairie Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mid-Prairie Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a significant deficiency.

Mid-Prairie Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mid-Prairie Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mid-Prairie Community School District and other parties to whom Mid-Prairie Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 28, 2012

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mid-Prairie Community School District did not qualify as a low-risk auditee.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Bank Reconciliation – We noted that bank account balances were not reconciled to the general ledger. This led to posting errors remaining undetected and many unrecorded transactions. We noted \$478,326 of unrecorded receipts and \$333,557 of receipts recorded twice. We also noted \$202,490 of unrecorded disbursements and a final unreconciled difference of \$13,876. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected promptly. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education's management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

- II-B-11 Financial Reporting – During the audit, we identified material amounts of receipts, disbursements, receivables and payables not properly recorded in the District's financial statements. In addition, the income surtax was not properly allocated between the General Fund and the Capital Projects Fund. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receipts, disbursements, receivables, and payables are identified and properly recorded in the District's financial statements.

Response – We will double check these in the future to make sure all items are properly recorded.

Conclusion – Response accepted.

- II-C-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts journal, bank deposits, and bank reconciliations were all done by the same person. Also, the recording, preparing, and distributing of disbursements are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve internal control as we deem necessary.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-C-11 Segregation of Duties (continued)

Conclusion – Response accepted.

II-D-11 Gate Admissions – Athletic event gate admissions and the associated change box were not reconciled with pre-numbered tickets. The District currently does not issue tickets at athletic events.

Recommendation – The District should establish reconciliation procedures for athletic event gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will have implemented gate receipt reconciliation procedures for fiscal year 2012.

Conclusion – Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 84.010: Title I Grants to Local Educational Agencies and
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Years: 2010 and 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the recording, preparing, and distributing of disbursements are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve internal control as we deem necessary.

Conclusion – Response accepted.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,815,892	
Revenues:				
Sales tax revenues	\$	880,064		
Interest		10,888		
Revenue bonds issued		5,545,000		
Premium on revenue bonds issued		<u>12,492</u>	6,448,444	
Expenditures/transfers out:				
School infrastructure construction		3,041,248		
Land improvements		22,794		
Equipment		101,004		
Other		125,731		
Transfers to other funds:				
Debt Service Fund		<u>157,888</u>	<u>3,448,665</u>	
Ending balance			\$	<u><u>4,815,671</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.15441	\$ 55,000

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-11 Financial Condition – At June 30, 2011, the Enterprise, School Nutrition Fund had an unrestricted net assets deficit balance of \$32,367.

Recommendation – The District needs to explore alternatives to restore the School Nutrition Fund to a sound financial condition.

Response – We have increased meal prices for fiscal year 2012 and will continue to investigate solutions to eliminate the deficit.

Conclusion – Response accepted.